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# REPORT

OF THE

## POSTMASTER GENERAL.

POSTOFFICE DEPARTMENT, }  
Richmond, September 29, 1862. }

SIR: In view of the approaching adjournment of Congress, and of the probability that the expenses of the Postoffice department cannot be paid out of its own revenues after the first day of March next, as required by the seventh clause of the eighth section of the first article of the constitution, without so great a reduction of postal facilities as to seriously embarrass the correspondence of the country and deprive portions of it of the benefit of the mails, it becomes necessary for me to call your attention to the suggestions on this subject submitted in my report at the opening of the present session of Congress. In that report I submitted the following statement:

“Proposals for new service were received from the States of Mississippi, Alabama, Tennessee, [Louisiana, Arkansas and Texas,] for the contract term of four years; and it is found that the cost of the service in all these States has been greatly increased by the causes suggested in my last report as likely to produce such a result.

“The act approved April 19th, 1862, establishing a uniform rate of postage of ten cents on single letters, and the act approved April 21st, reducing the amount of commissions allowed to postmasters, have not been in operation long enough to enable me to determine their effect upon the revenues of the department.

“The receipts and expenditures of the Postoffice department, for the three quarters for which the accounts have been made up in the Auditor’s office, and for the fractional part of a quarter embracing the month of June, 1861, are as follows:

“For the quarter which ended September 30th, 1861, embracing the preceding month of June, the expenditures were	\$668,727 34
Receipts,	414,163 64
Excess of expenditures,	<u>\$254,563 70</u>

“For the quarter which ended December 31st, 1861, the expenditures were	\$721,430 29
Receipts,	491,163 64
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Excess of expenditures,	\$230,266 65
“For the quarter which ended March 31st, 1862 the expenditures were	\$674,218 77
Receipts,	418,802 52
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Excess of expenditures,	\$255,416 25
“The aggregate expenditures for the ten months which ended 31st March, 1862, were	\$2,064,376 40
Aggregate receipts,	1,324,121 90
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Aggregate excess expenditures,	\$740,254 50

“It is to be borne in mind, that the expenditures as shown above, were incurred under the contracts made with the government of the United States, and before the reductions of the cost of service by the reduction and discontinuance of service by this department had gone into operation. The reductions of the cost of the service by the various means set forth in my last report, will probably show a considerable decrease of expenditure for the quarter which ended June 30th, 1862. And both the receipts and expenditures of the department will be materially reduced for that and the succeeding quarters, by the occupation of parts of our territory by the enemy and the interruption of our postal communication across the Mississippi river. The increased cost of the service under the new contracts referred to in a previous part of this report, will tend to prevent the department from becoming self-supporting by the time prescribed by the constitution. It remains to be seen whether the increase of the rates of postage, the reduction of the commissions heretofore paid to postmasters and the reduction of the cost of service by the various means mentioned in my last report, will furnish a revenue equal to the current expenditures of the department. That it would have done so, if we could have held all our territory free from the occupation of the enemy, I have little doubt. If the measures already adopted by Congress and by this department, fail to make its revenues equal to its expenditures by the time prescribed by the constitution, a still further reduction of the cost of the service, and consequently of postal facilities, must necessarily follow—unless it be deemed advisable by Congress to make a still greater increase of the rates of postage. And this latter alternative would be of doubtful policy, unless rendered expedient by the increased amount of currency in circulation, and the consequent enhancement of the cost of the service, as of everything else. It may be doubtful, even in view of such a condition of things whether the revenues of the department would be increased by an increase of the rates of postage.

“To show the difference between the receipts and expenditures of the postal service for the first ten months under the government of

the Confederate States, and for a like period of time under the government of the United States, the following figures are presented:

“The expenditures under the government of the United States for the ten months which ended June 30th, 1860, were \$3,580,205 66

“Expenditures under the government of the Confederate States for the ten months which ended March 31st, 1862, were 2,064,376 40

Showing a reduction in the cost of the service for that period, of \$1,515,829 26

“The receipts for that period under the government of the United States, were 1,264,200 47

Receipts for the same period under the government of the Confederate States, 1,324,121 90

Showing an increase of receipts under the Confederate Government, of \$59,921 43

“From this it will be seen that the cost of the service has been greatly reduced, and that there has been a small increase of the revenues of the department.”

The above statement gives the receipts and expenditures, as far as shown by the books of the Auditor's office. The accounts for the quarter which ended June 30, will not be made up in the current course of business, until the twentieth of next month; and here the department has no reliable information as to the receipts and expenditures for the last five months, to aid in forming an estimate of future receipts and expenditures.

In my regular annual report, submitted on the twenty-eighth of February last, after stating the measures which had been adopted by Congress and by this department, with a view to reduce its expenditures, and increase its receipts, so as to meet the requirement of the constitution, that its expense should be paid out of its own revenues after the first of March next, I added: “But this may, in a greater or less degree, be counteracted by a reduction of competition in bids for the new service on account of the large number of our citizens who are in the army. And if it shall be found that the price of animals, and vehicles, and forage, and subsistence is increased by the existence of the war, that will, also, increase the cost of the new mail service, and, to that extent, counterbalance the anticipated reductions of the cost of the service.”

In re-letting contracts for the transportation of the mails in the States of Tennessee, Alabama, Mississippi, Louisiana, Arkansas and Texas, for the ensuing four years from the first of July last, it was found that, from the causes above suggested, the average rate of the cost of transportation was greatly increased. In some cases the increased cost was as much as one hundred per cent. over the prices paid under the preceding contracts, and generally there was an advance of cost. The existing contracts for the other States of the Confederacy will expire on the thirtieth of June next, when new contracts must be made, in which it may be fairly anticipated that a like in-

crease of cost of service will occur in them. This increase, present and prospective, of the cost of the service will, to whatever extent it may reach, counterbalance the reductions of expenditure resulting from the various means heretofore adopted with a view to render the department self-sustaining.

I quote the following from my annual report of the twenty-eighth February last, showing the measures which had been adopted by Congress with a view to equalizing the receipts and expenditures of the department :

“ Among the means adopted by Congress to enable the postoffice department to overcome this large deficiency, and to render the department self-sustaining, was the abolition of the franking privilege ; the increase of the rates of postage on all descriptions of mailable matter ; the prohibition of the carrying of newspapers and other mailable matter over the post routes as freight ; the providing that all contracts to be made for carrying the mails should be let to the lowest bidder, without reference to the mode of conveyance ; the clothing of the Postmaster General with power to ‘ annul contracts, or to discontinue or curtail the service and pay on them, when he shall deem it advisable to dispense with the service in whole or in part,’ on the conditions specified in the law ; and the reduction of the rates of compensation to railroad companies.” To which may be added the further increase in the rates of postage and the reduction of the rates of commissions allowed to postmasters, by subsequent legislation.

The following extract from the same report will show the measures which had been taken by this department, with a view to the same end :

In order to prepare the department to meet the requirement of the constitution, that it shall be made self-sustaining after the first of March, 1863, and in execution of the laws, and to carry out the policy of Congress on this subject, I have from time to time curtailed the service on such routes as would admit of it, and wholly discontinued it on others, where this could be done without material inconvenience to the public, and where the cost of the service was grossly disproportionate to the receipts from postages. I have also discontinued the service of such route and local agents as could be dispensed with.

“ In addition to the reduction of the cost of service by curtailments and discontinuances, above referred to, the performance of service has been prevented on a number of steamboat and steamship routes by hostile fleets of the enemy.”

It is believed the reduction of the expenditures of the department by the above means, has been carried as far as it can be without withholding from the people the necessary mail facilities.

Though it is supposed still greater reductions of the cost of the service will appear for the quarter which ended the 30th June last, and for subsequent quarters, resulting from the curtailment and discontinuance of service, the effect of which does not appear in the accounts of receipts and expenditures rendered before that time, it is not believed these measures will so equalize the expenditures and receipts of the department as to render it self-sustaining by the time pre-

scribed in the constitution. It becomes necessary, therefore, to consider how this difficulty is to be overcome. If it is to be done by further reductions of the service, portions of the country must be deprived of postal facilities, and the usefulness of the service greatly impaired in others. In that portion of my last report quoted above, a further increase of the rates of postage is suggested as another mode of meeting the difficulty, and a doubt expressed as to whether such increase would augment the revenues of the department. I am not prepared to change the qualified manner in which this alternative was then presented. I only recur to it as one of the means which may receive the consideration of Congress.

While the policy established by the provision of the constitution requiring the expense of the department to be paid out of its own revenues, is believed to be correct in principle, the incorporation of such a provision in the constitution must continue to present embarrassments in the administration of the department as long as it exists, from the fact that the estimates and appropriations for the support of the department are to be made before its liabilities and revenues have accrued, and before the amount of them can with reasonable certainty be determined. Under the most favorable circumstances, and under the exercise of the most wise foresight, in any attempt to equalize the receipts and expenditures of the department, the receipts might be greater than the expenditures one year and the expenditures greater than the receipts another. So that a literal compliance with this provision of the constitution cannot be made in any other way than by the accumulation and preservation of a surplus of receipts large enough to cover all contingencies.

If that provision of the constitution can be met by an arrangement to endure until the close of the war and the revival of commerce and prosperity, a compliance with its requirements would be practicable after that time, subject to the qualification above suggested. Or, if it could be amended so as to suspend its operation until the happening of those events, the anticipated embarrassment could be obviated. But the delays which must necessarily attend such a change, if desired by the States, would carry us to a period much beyond the time when the provision under consideration will become operative.

Without being able to suggest a satisfactory means of meeting the difficulties herein presented, I have thought it proper that I should lay before you the foregoing statement, in order that the wisdom of Congress may be invoked for their solution.

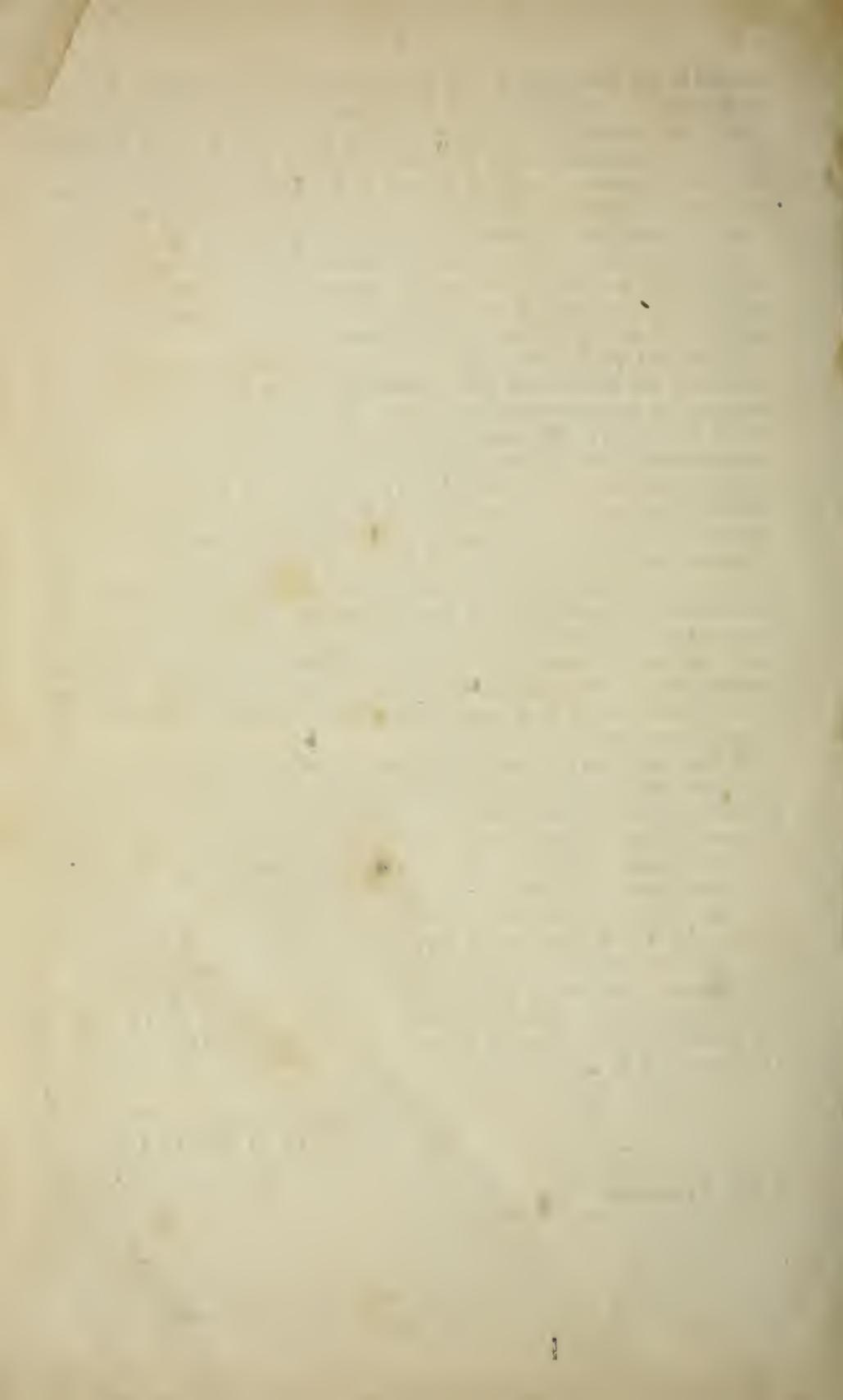
With great respect,

Your obedient servant,

JOHN H. REAGAN,

*Postmaster General.*

THE PRESIDENT.



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